

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

ENERGY DIVISION

RESOLUTION G-3371

December 16, 2004

**R E S O L U T I O N**

Resolution G-3371. The California Energy Commission (CEC) requests approval of its 2005 program plan and funding request for the Natural Gas Public Interest Research Program. The CEC's request is approved.

Pursuant to California Public Utilities Commission Decision (D.) 04-08-010.

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**SUMMARY**

This Resolution approves the California Energy Commission (CEC) report, *Program Plan and Funding Request for 2005, Natural Gas Public Interest Research Program*. That program was established pursuant to D. 04-08-010. The CEC filed this plan and the funding request on October 29, 2004. This Resolution furthermore orders Southern California Gas Company and San Diego Gas & Electric Company (collectively referred to as Sempra) to disclose all relevant and necessary information on its transition projects to the CEC, and instructs the CEC to maintain the confidentiality of those disclosures.

**BACKGROUND**

**D. 04-08-010 (the "Decision") implemented Assembly Bill (AB) 1002, establishing a natural gas surcharge to fund gas public purpose programs, including public interest research and development (R&D).**

The CPUC instituted Rulemaking 02-10-001 to implement AB 1002. In this proceeding the CPUC addressed various issues related to the design and implementation of a surcharge to fund gas public purpose programs. As part of this proceeding, the Energy Division held a workshop to resolve implementation

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issues raised by parties and issued a report. This workshop report was adopted in the Decision.

**D. 04-08-010 established certain criteria for gas R&D projects to be approved under this program.**

The Decision defines public interest gas R&D activities as those which “are directed towards developing science or technology, 1) the benefits of which [sic] accrue to California citizens and 2) are not adequately addressed by competitive or regulated entities.” (p.25)\*.

The CPUC established the following criteria for public interest gas R&D projects:

- 1) Focus on energy efficiency, renewable technologies, conservation and environmental issues
- 2) Support State Energy policy
- 3) Offer a reasonable probability of providing benefits to the general public, and
- 4) Consider opportunities for collaboration and co-funding opportunities with other entities.

**D. 04-08-010 designated the CEC as administrator of the R&D program,** because the CEC already administers the Public Interest Energy Research (PIER) program and it is publicly accountable, being subject to the Bagley-Keene Open Meeting Act and the Public Records Act.

Projects will be selected by the CEC, and reviewed and approved by the CPUC. Current public interest R&D projects undertaken by the utilities will be discontinued or transferred to the administrator (the CEC) by December 31, 2004. Projects to be transferred come from Sempra.

**D. 04-08-010 reserved ultimate oversight for the CPUC.** The CPUC is responsible for adopting the R&D program, and for setting the surcharge to fund

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\* See [http://www.cpuc.ca.gov/WORD\\_PDF/FINAL\\_DECISION/39314.PDF](http://www.cpuc.ca.gov/WORD_PDF/FINAL_DECISION/39314.PDF). All page number cites to D.04-08-010 are to the version on the CPUC web site.

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the R&D program. The Decision therefore made it clear that the CPUC has final responsibility to “approve and resolve administration, funding, project approval, or other matters, and make a final decision” (p.32). The Decision further designated the CPUC’s Energy Division to serve as this Commission’s advisor (*ibid.*).

**Utilities are ordered to end current public interest gas R&D projects or transfer these projects to the administrator by December 31, 2004. Utilities shall report any unspent R&D funds to the Energy Division as of December 31, 2004. Any unspent R&D funds shall be used for future R&D programs. (p.51)**

**D. 04-08-010 established a zero-based budget of up to \$12 million for the Gas R&D program for 2005 (p.47).** In its role as the administrator of the gas public purpose R&D programs, the CEC issued a request for project abstracts and selected program research areas. In its funding request, the CEC has also submitted a proposed budget.

**The CEC timely submitted its Program Plan and Funding Request for 2005 on October 29, 2004.**

## **DISCUSSION**

**Consistent with D. 04-08-010, the CEC’s Public Interest Natural Gas Research Program comprises a research and development effort directed towards maximizing efficiency and mitigating environmental effects of gas consumption.** The CEC proposes to allocate its \$12 million budget to administration and a set of four ranked Program Research Areas, in descending order: Gas Efficiency, Renewables, Environmental, and Strategic Analysis. These areas and the CEC’s proposed budget allocation are delineated in the appended table, *Table 3.1: Summary of Program and Project Research Areas with Budget Estimates*, taken from the CEC report (p.20).

**The Decision instructs respondent utilities to end or transfer to the CEC public interest gas R&D programs by December 31, 2004. This Resolution both instructs Sempra to submit copies of all materials furnished to the Energy Division concerning transition projects to the CEC, and instructs the CEC to maintain the confidentiality of that disclosure.** Sempra has not conveyed its transition project documentation to the CEC, citing worries that the CEC has been unable to guarantee confidentiality. Sempra has shared this information

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with CPUC, which has agreed to safeguard the confidentiality of Sempra's information.

**The CEC's proposed program budget and funding request should be approved.** In accordance with D. 04-08-010, the annual proposed R&D program for 2005 was provided by the CEC to the Energy Division by October 31. The CEC has furthermore solicited R&D project proposal abstracts and incorporated them into the development of its plan. The Energy Division has reviewed the CEC report and found it to be submitted properly in compliance with D. 04-08-010. The basic program areas meet the criteria for public interest gas R&D projects laid out in the Decision, the CEC reasonably selected gas R&D program areas, and the CEC reasonably allocated the program's budget to the different program areas.

**COMMENTS**

The 30-day comment period for this Resolution has been reduced in accordance with the provisions of Rule 77.7(f) (9). Rule 77.7(f) (9) provides that the Commission may waive or reduce the comment period for a Resolution when the Commission determines that public necessity requires reduction or waiver of the 30-day period for public review and comment. For purposes of Rule 77.7(f) (9), "public necessity" refers to circumstances in which the public interest in the Commission's adopting a Resolution before expiration of the 30-day review and comment period clearly outweighs the public interest in having the full 30-day period for review and comment.

In this case, D. 04-08-010 provided for an accelerated timetable for acceptance of the CEC 2005 gas R&D report, filed on October 29, 2004. Accordingly, the public interest in having the Natural Gas Public Interest Research Program commence on schedule at the start of 2005 outweighed the interest in having the full 30-day comment period.

Thus, pursuant to Rule 77.7(f) (9), we provided for a shortened comment period.

No comments were filed.

**FINDINGS**

1. The CEC filed its 2005 public interest gas R&D report on October 29, 2004, as per D. 04-08-010, and has met its obligation.
2. Sempra timely submitted to the CPUC relevant and necessary information and updated plans regarding its transition gas R&D projects and terminated projects.
3. The CEC's proposed R&D project areas meet the criteria set forth in D. 04-08-010.
4. The CEC reasonably selected gas R&D project areas, and reasonably allocated the 2005 R&D budget to the different project areas.
5. The CEC's report, *Program Plan and Funding Request for 2005, Natural Gas Public Interest Research Program*, should be adopted.

**THEREFORE IT IS ORDERED THAT:**

1. The 2005 public interest gas R&D plan submitted by the CEC in its report, *Program Plan and Funding Request for 2005, Natural Gas Public Interest Research Program*, is adopted.
2. Southern California Gas and San Diego Gas & Electric shall submit copies of all materials furnished to Energy Division concerning transition projects to the CEC within fifteen days of the effective date of this Resolution.
3. The CEC shall maintain the confidentiality of materials submitted pursuant to Ordering Paragraph 2.

This Resolution is effective today.

I certify that the foregoing resolution was duly introduced, passed and adopted at a conference of the Public Utilities Commission of the State of California held on December 16, 2004; the following Commissioners voting favorably thereon:

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STEVE LARSON  
Executive Director

MICHAEL R. PEEVEY  
PRESIDENT  
CARL W. WOOD  
LORETTA M. LYNCH  
GEOFFREY F. BROWN  
SUSAN P. KENNEDY  
Commissioners

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**Appendix -- Table 3.1: Summary of Program and Project Research Areas with Budget Estimates**

Ranked Program Research Area – with ranked Project Research Areas	Description of Program Area	Budget Allocation Per Program Research Area
1. Gas Efficiency – <ul style="list-style-type: none"> <li>Gas water heating technology</li> <li>Gas space heating technology</li> <li>Commercial food service technology</li> <li>Industrial combustion efficiency</li> <li>Industrial waste heat recovery</li> <li>Gas appliance technology</li> <li>Gas space cooling technology</li> </ul>	This area focuses on improving the efficiency of gas consuming equipment in the residential, commercial and industrial sectors	\$5.0 million
2. Renewables <ul style="list-style-type: none"> <li>Water heating alternatives</li> <li>Process heating alternatives</li> <li>Renewable natural gas fuel replacements</li> </ul>	This area focuses on developing and commercializing alternative fuel sources, particularly solar energy and biofuels.	\$2.0 million
3. Environmental <ul style="list-style-type: none"> <li>Air quality impacts and mitigation strategies for combustion of alternative gas supplies (e.g. off-spec and LNG)</li> <li>Climate change adaptation and mitigation- issues and implications for the natural gas system</li> </ul>	This area focuses on assessing potential criteria air pollutant (indoor and regional) and greenhouse gas impacts and mitigation strategies for traditional and non-traditional NG blends.	\$2.25 million
4. Strategic Analyses <ul style="list-style-type: none"> <li>Tool and model development to aid in targeting appropriate infrastructure improvements</li> <li>Economic research to address State gas energy policy issues</li> <li>Security related to catastrophic events</li> </ul>	This research address topics such as value of increased gas storage; impact on gas prices and reliability of various fuel specifications, including off-spec and LNG; market analysis, identifying real time slack capacity needed in pipelines and mitigating impact of catastrophic events (e.g., earthquakes and terrorism).	\$1.25 million
Administration	Covers the period from 9/1/04 – 12/31/05; includes planning, project selection, contracting, project management and reporting.	\$1.5 million
Utility Transition Project(s)		To be determined and included as portion of above budget items
Total		\$12.0 million

